

Property Assessment and Taxation Legislation



Ballot Questions and Measures

- ★ 1980 – Amendment B “Dakota Proposition”
- ★ 1988 – Amendment C
- ★ 1990 – Amendment E
- ★ 1994 – Initiated Measure 1

1977 Session

- ▶ Counties required to assess at market value
- ▶ Counties given authority to set taxable % for Ag and NonAg
- ▶ Maximum taxable percentage was 60%
- ▶ Taxable percentages varied as well as assessments from county to county

1978 Session – HB 1039

- ▶ Personal Property Tax is repealed
- ▶ Personal Property Tax Replacement Task Force was created to review sales, use, and excise taxes as replacement revenues

SDCL Chapter 10-6

- ▶ SDCL Chapter 10-6 – Annual Assessment of Property
 - Amended 27 out of the last 30 years.
 - Not amended in 1984, 1996, or 2004

1989 Session

- ▶ **SB 12 – An Act to revise the procedure for valuing real property.**
- ▶ **SB 13 – An Act to reduce the time during which a person responsible for assessing or appraising property for tax purposes may become certified.**
- ▶ **SB 15 – An Act to repeal the use of taxable percentage and to lower the maximum tax levies correspondingly.**
- ▶ **SB 16 – An Act to make the assessment of real property within a county the sole responsibility of the director of equalization.**
- ▶ **SB 17 – An Act to require the use of uniform tax and assessment notices.**

SB 12

- ▶ 10-6-33 – was amended adding language permitting assessors to use the cost, market and income approaches to value property
- ▶ 10-6-33.1 – amended the factors for valuing agricultural property – further amended in 1991 by HB 1181 providing additional factors to the assessors to use in valuing Ag property – the land's use, climate, accessibility, and surface obstructions as documented through an analysis of land selling prices

SB 12

- ▶ 10-6-33.6 – permitted the director of equalization to establish an identifiable region within a county if the market deviates by more than 10% from the county median market value
- ▶ 10-6-33.7 – established that agricultural land shall be divided into eight classes of property based on soil type
- ▶ 10-6-33.8 – required the median sales to assessment ratio to be on or between 85% and 100%
- ▶ 10-6-33.9 – required the coefficient of dispersion to be no more than 30%, which was changed to 25% in 1990

SB 15

- ▶ 10-6-33 – repealed that requirement that the Taxable Value may not exceed 60% of its Full and True Value
- ▶ The maximum general fund levy of a school district was decreased from \$40 per thousand to \$24 per thousand. However, agricultural land shall be taxed equally for the first \$4.80 per thousand and then half of the levy for the remaining nonagricultural levy. Maximum levy for ag property was \$14.40

SB 15

- ▶ 10-12-21 – The county maximum levy from \$20.00 to \$12.00 and all the other levy limits that are in addition to the general fund levy were decreased respectively
- ▶ 10-12-28 – The township maximum levy from \$5.00 to \$3.00
- ▶ 10-12-32 – The municipal maximum levy from \$45.00 to \$27.00
- ▶ Special purpose district maximum levies were also adjusted

SB 121 – Governor Mickelson's property tax freeze

- ▶ Property Tax Freeze for taxes payable in 1990 and 1991 unless improvements were made to the property

1991 and 1992 Interim

- ▶ 1992 Session, HB 1014 defined real and personal property and HB 1021 repealed references to the tax on personal property.
- ▶ 1993 Session, HB 1016 required that Ag Property which sold for more than 150% of its ag income value to be classified separately from other ag property for a period of five years (AG-Y property). This legislation was later struck down by the courts.

1995 – Governor Janklow's Property Tax Relief Legislation

- ▶ Provided 20% property tax relief to ag and owner-occupied property for taxes payable beginning in 1996
- ▶ Adopted property tax limitations for local governments, except for new growth (did not apply to school districts)
- ▶ Tax increase limitation, the lower of CPI or 3%

Tax Relief

- ▶ 1998 Session – provided an additional 5% property tax relief for taxes payable in 1999
- ▶ 2000 Session – provided another 5% property tax relief for taxes payable in 2001

1996 Interim – Centrally Assessed Property

1997 Session

- ▶ HB 1005 – An Act to revise certain terms relating to true and full value. Passed
- ▶ HB 1006 – An Act to repeal certain taxes on express companies. Passed
- ▶ HB 1007 – An Act to repeal certain taxes on telegraph companies. Passed

1997 Interim – Property Taxes and Classification

1998 Session

- ▶ HB 1002 – An Act to revise the criteria required for land to be classified as agricultural land.
Failed (Meet all 3 criteria: income, size, and use)
- ▶ HB 1016 – An Act to provide for a discretionary assessment of certain nonagricultural property and to defer the payment of certain property taxes. Failed (Green acres or rollback provision)
- ▶ HB 1017 – An Act to limit annual property assessment increases. Failed
- ▶ SB 2 – An Act to provide a procedure for assessing flooded land for taxation purposes.
Passed

1998 other Legislation

1998 Session

- ▶ HB 1292 (1998) – Established the NA–Z class
Passed
- ▶ SB 103 (1998) – Instituted the 70 acre rule
Passed

1998 Interim – Uniformity of Assessments, Appeals, & Systems Used in Other States

1999 Session

- ▶ HJR 1001 – Proposing and submitting to the electors at the next general election an amendment to Article XI, section 2 of the Constitution of the State of South Dakota, relating to the method used to assess the value of property. Failed
- ▶ HB 1001 – An Act to provide for the assessment of property based on its acquisition value. Failed
- ▶ HB 1002 – An Act to require that certain exempt property be assessed and that the value be published. Failed

1998 Interim – Continued

1999 Session

- ▶ HB 1003 – An Act to provide for the recovery of certain expenses in an action brought to court by any governmental subdivision relative to the assessment of property. Passed (Incorporated the provisions of SB 2)
- ▶ SB 1 – An Act to revise the procedure for the valuation of real property. Passed (which became the 150% rule)
- ▶ SB 2 – An Act to provide for the recovery of certain expenses in an action brought by an appellant relative to the assessment, allocation, or distribution of centrally assessed property. Failed

1999 Interim – Procedures Used in the Valuation and Assessment of Property

2000 Session

- ▶ HB 1004 – An Act to repeal and revise certain provisions concerning the annual assessment of property. Passed (Clean-up bill for chapter 10-6)
- ▶ HB 1005 – An Act to conduct a pilot study on agricultural income value, to create a task force, to appropriate money for a pilot study, and to declare an emergency. Passed (As introduced: use agricultural income value to determine the value of agricultural land and to conduct a pilot study on agricultural income value. The appropriation in HB 1006 incorporated into this bill.)

1999 Interim – Continued

2000 Session

- ▶ HB 1006 – An Act to appropriate money for a pilot study concerning the use of agricultural income value as a means to value agricultural land and to declare an emergency. Failed (Appropriation made in HB 1005)
- ▶ SB 7 – An Act to remove the legal presumption of correctness which attaches to the assessed valuation determined by the director of equalization. Passed
- ▶ SB 8 – An Act to revise certain provisions relating to the establishment of a separate market value for land in an identifiable region. Passed

1999 Interim – Continued

2000 Session

- ▶ SB 9 – An Act to provide for the extension of certain definitions relating to tax assessments. Passed
- ▶ SB 10 – An Act to create a classification for owner-operated commercial business property and to establish a maximum property tax levy on owner-operated commercial business property for the general fund tax levy of a school district. Failed

2000 Task Force – Pilot study on use of Agricultural Income Value to Assess AG Land

2002 Session

- ▶ HB 1229 – An Act to conduct a pilot study on agricultural income value, to appropriate money for a pilot study, and to declare an emergency. Failed (Introduced as: An Act to revise the procedure for assessing agricultural property and to repeal the nonagricultural acreage classification.)
- ▶ HB 1247 – An Act to require payment of certain property taxes if agricultural land is changed to another classification of property. Failed
- ▶ HB 1135 – Hoghouse) – An Act to revise the procedure for reclassification and valuation of certain real property, to conduct a pilot study on valuing certain real property, to appropriate money for a pilot study, and to declare an emergency. Passed (As introduced: An Act to provide for the reclassification of certain real property.)

2003 Session

- ▶ HB 1192 – An Act to revise the procedure for assessing certain agricultural and nonagricultural acreage property. Passed (As introduced: An Act to revise the procedure for assessing agricultural property and to repeal the nonagricultural acreage classification.) (As enacted this set the cap rate at $7\frac{3}{4}\%$ and **provided permissive language to use cash rent information to value ag property**)

2003 Interim – Review of Property Tax Exemptions, Budget Limitations, & Opt Outs

2004 Session

- ▶ HB 1005 – An Act to require counties to determine the unreserved, undesignated general fund balance at certain times of the fiscal year and to publish and report this information. Passed
- ▶ HB 1006 – An Act to limit tax increment financing to the governing body approving the formation of the tax incremental district. Failed
- ▶ SB 3 – An Act to revise the criteria for congregate housing to be exempt from property taxation. Passed
- ▶ SB4 – An Act to revise the reporting requirements for domestic nonprofit corporations. Failed

2004 Interim – Limitation on sales used to assess property – Alternative methods to assess

2005 Session

- ▶ HB 1001 – An Act to revise the definition of arms-length transactions for the purposes of assessing real property. Failed
- ▶ HB 1002 – An Act to revise the requirements for determining whether dwellings are eligible to be classified as owner-occupied single-family dwellings. Passed
- ▶ HB 1003 – An Act to revise certain provisions concerning the determination of agricultural income values for classifying nonagricultural acreages. Failed

2004 Interim – Continued

2005 Session

- ▶ SB 1 – An Act to revise the method used to determine the capacity of land to produce agricultural products. Passed
- ▶ SB 2 – An Act to revise the procedure for assessing certain agricultural property. Passed (Incorporated the provisions of SB 5) (alternative cash rent system)
- ▶ SB 3 – An Act to permit written statements to be filed concerning the leasing of agricultural land and to provide for the confidentiality and usage of such information. Failed
- ▶ SB 4 – An Act to establish certain subclassifications for agricultural property. Failed
- ▶ SB 5 – An Act to permit adjustment for certain factors that may affect the agricultural income value of land. Failed

2005 Interim – Real Property Classifications and Criteria Used

2006 Session

- ▶ HB 1008 – An Act to permit the immediate reclassification of nonagricultural acreage property under certain circumstances. Passed.
- ▶ HB 1009 – An Act to create additional classifications of agricultural property and to revise certain provisions concerning the taxation of certain agricultural property. Failed.

2007 Interim – Agricultural Productivity

2008 Session

- ▶ **HB 1005 – An Act to revise certain provisions concerning the assessment of real property, to assess agricultural land based on its agricultural income value, to create an implementation and oversight advisory task force, to repeal certain provisions regarding the assessment of property, and to repeal the nonagricultural acreage classification. *(Passed)***
- ▶ **HB 1006 – An Act to revise certain tax levy limitations and property tax levies for school districts. Passed**

2008 Interim – Ag Land Task Force

2009 Session

- ▶ SB 3 – An Act to revise certain provisions concerning the assessment of agricultural land. Passed
- ▶ SB 4 – An Act to provide for additional responsibilities to the Agricultural Land Assessment Implementation and Oversight Advisory Task Force. (Passed)

2009 Interim – Ag Land Task Force

2010 Session

- ▶ HB 1009 – An Act to revise certain provisions regarding the documentation of data used to make adjustments for factors that affect the capacity of the land to produce agricultural products during the assessment process. *(Failed)*

2010 Interim – Ag Land Task Force

2011 Session

- ▶ HB 1001 – An Act to revise certain provisions concerning the assessment of agricultural land. *(Passed)*
- ▶ HB 1002 – An Act to revise certain provisions regarding the documentation of data used to make adjustments for factors that affect the capacity of the land to produce agricultural products during the assessment process. *(Passed)*

2011 Interim – Ag Land Task Force

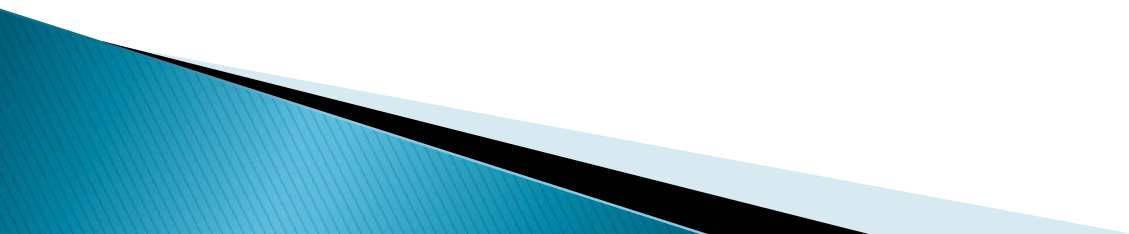
2012 Session

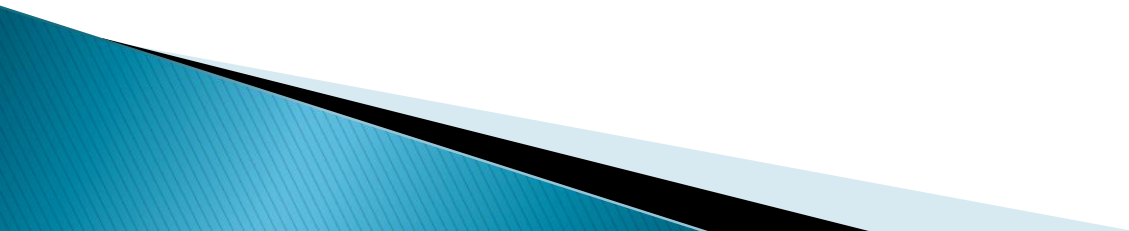
- ▶ HB 1003 – An Act to revise the limitation on the increases and decreases that may be made to the total taxable value of cropland and noncropland.
(Passed)
 - 15% if less than 30%
 - 20% if 30% or more but less than 50%
 - 25% if 50% or more

2012 Interim – Ag Land Task Force

2013 Session

- ▶ SB 6 – An Act to determine whether factors affecting productivity should be applied if the actual use of agricultural land does not correspond to the soil classification standards. (*Passed*)
- ▶ HB 1007 – An Act to restrict the term of conservation easements. (*Failed*)





Productivity Value Legislation

HB 1005 – Productivity Legislation

(2008 Session)

- ★ § 1 – Phase out the 150 % rule over 5 years
- ★ § 2 – Phase in the increase in the Ag Productivity Value
- ★ § 3 – Sunsets section 1 and 2
- ★ § 4 – Repeals the 150 % rule on July 1, 2014

HB 1005 – Continued

- ★ § 5 – Requires the use of ag income value to assess ag land – framework for setting the landlord share and cap rate
- ★ § 6 – Contract with SDSU to provide the data – Use 8-year Olympic average
- ★ § 7 – Provides that SDSU submit recommendations
- ★ § 8 – Provides for the adjustment factors

HB 1005 – Continued

- ★ § 9 – Establishes two categories of land – Cropland and Noncropland
- ★ § 10 – Assessment of agricultural buildings and structures
- ★ § 11 – Productivity value represents market value

HB 1005 – Continued

- ▶ § 12 – Creates Ag Land Task Force
 - Membership = 4 Senators, 4 Representatives, and 6 members of the public (Was 4 public members, but revised to 6 by SB 116)
 - Advise the Department on rules
 - Propose legislation
 - Recommend % for annual earning capacity (landlord share)
 - Recommend cap rate (minimize tax shifts in first year)

HB 1005 – Continued

- ★ § 13 – Department's rule making authority
- ★ §§ 14 to 22 – Revise existing statutes for productivity system
- ★ § 23 – Repeals NA–Z and other sections
- ★ § 24 – Delay effect on revised sections
- ★ § 25 – Requires the Department to provide data for following session

HB 1006 – School District Tax Levies

- ★ § 1 – Required adjustment in general fund levies nonagricultural property and owner-occupied dwellings to address the phase of the 150 % rule
- ★ § 2 – Pension Fund Levy – holds the school district and the taxpayers harmless for five years during the repeal of 150% rule and transition to the productivity system
- ★ § 3 – Capital Outlay Fund Levy – holds the school district and the taxpayers harmless for five years during the repeal of 150% rule and transition to the productivity system
- ★ §§ 4 & 5 – Special Education Fund Levy – holds the school district and the taxpayers harmless for five years during the repeal of 150% rule and transition to the productivity system
- ★ § 6 Exempts certain schools with less than 10% change in taxable growth from this Require the Department to provide data for following session

HB SB 116 – Continued

- ★ Revised the number of members on the Ag Land Task Force
- ★ Required one member appointed from the general public to have an agricultural background and one to have a business background

SB 3 – Assessment of Ag Land

(2009 Session)

- ★ § 1 – Set the landlord share for cropland and noncropland and adjusted the capitalization rate
- ★ § 2 to 6 – Made adjustments to HB 1005

SB 4 – Task Force Recommendations

(2009 Session)

Directed the Task Force to monitor changes in ag land values so as not provide a substantial revenue increase or decrease due to changes in ag land value due to move to the productivity system

SB 149 – General Fund Levies

(2009 Session)

- ▶ Amended 13-13-72.1 – Revised the basis for adjustment to the general fund levy for school districts.
- ▶ Separated ag land from the other two classifications when making adjustments to the levies

Any Questions?